FEBRUARY 26, 2019

Overview of Funding for Medi-Cal Mental Health Services

PRESENTED TO: Assembly Committee on Health
Hon. Jim Wood, Chair

LEGISLATIVE ANALYST'S OFFICE

Overall Structure of Funding for Public Community Mental Health Services

Public Community Mental Health Definition. For the purposes of this presentation, we define public community mental health as including publicly funded outpatient and inpatient mental health services and psychotropic medications provided primarily in community settings. It does not include services provided by state hospitals, prisons, Medicare, private insurance, or the K-12 educational system.

Funding for Medi-Cal Mental Health Services Is Part of a Broader and Complex Public Community Mental Health Funding Structure. As shown in the figure on page 3, public funding for community mental health services involves multiple funding streams. These public funding streams generally support services for the population broadly, including, but not limited to, Medi-Cal enrollees. Because most of the funding for both Medi-Cal mental health services and public community mental health services more widely goes to counties—and because counties have wide discretion in how they allocate funding from each of their funding sources to meet their overall Medi-Cal mental health and other public community mental health responsibilities—it is important to view funding for Medi-Cal mental health services in the context of the state's broader public community mental health funding structure. Accordingly, in the following pages, we describe the major funding streams that support Medi-Cal mental health services, including those that provide significant support to other public community mental health services.

Funding for Non-County-Based Medi-Cal Mental Health Services. Medi-Cal mild-to-moderate outpatient mental health services, screening services, and psychotropic medications are funded through managed care plans or state fee-for-service. Funding comes from federal Medicaid dollars—or federal fund participation (FFP)—and the state General Fund, and totaled $1.9 billion in 2017-18.

Overall Structure of Funding for Public Community Mental Health Services

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County-Based Medi-Cal Mental Health Services Funded With a Combination of Funds. Specialty mental health services (SMHS)—relatively intensive services for individuals on Medi-Cal with a diagnosed mental condition meeting specified criteria—are provided by county Mental Health Plans (MHPs) and funded through a combination of all four of the major public community mental health funding sources. (We describe the four major funding sources in greater detail in the following section.) As previously noted, most of these fund sources also support county-based mental health services outside of Medi-Cal. Counties generally have exercised wide discretion in how they allocate different portions of the funds they have access to for the various mental and other behavioral health services they are responsible for. For example, counties receive 2011 Realignment funding for behavioral health services through a behavioral health subaccount. Counties use this subaccount to support both Medi-Cal mental health and substance use disorder services, but have discretion over how much of the subaccount funds goes to each type of service. We further note that, in some counties, County General Funds are also used to support county-based Medi-Cal mental health services, but the level of support from this funding source is unknown, although it is likely relatively small. Total funding for county-based Medi-Cal mental health was close to $4.9 billion in 2017-18.

Overall Structure of Funding for Public Community Mental Health Services

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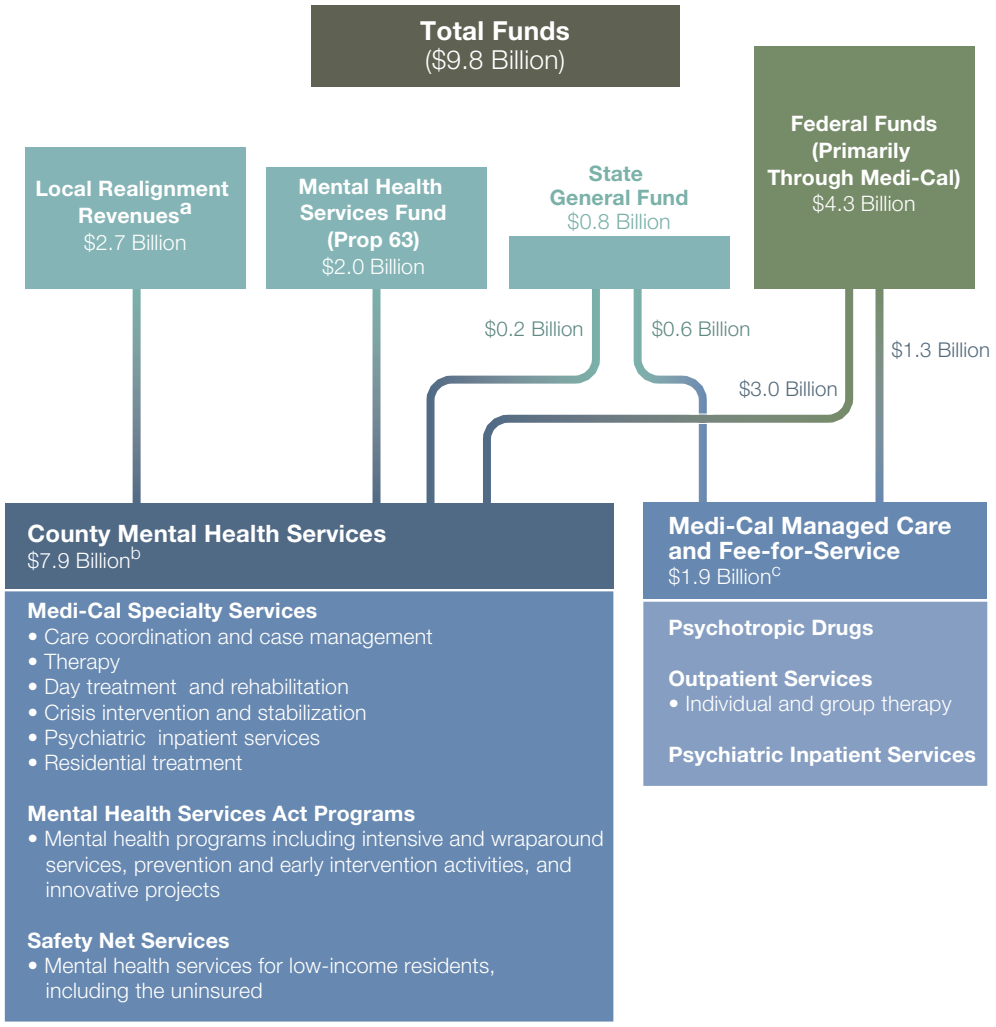
Public Community Mental Health Services Funding

2017-18 LAO Estimates



[a] Includes funding that counties may use on substance use disorder services (not considered mental health services).

[b] Some counties provide further funding for mental health using County General Funds. County General Funds are not included in listed funding amount.

[c] Does not include funding for outpatient services that are provided through the fee-for-service system, or in community clinics, due to data limitations.

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Major Medi-Cal Mental Health Funding Sources

Federal Fund Participation (FFP) for Medi-Cal

FFP Constitutes More Than Half of Medi-Cal Mental Health Funding. Medi-Cal costs are generally shared between the federal government and either the state or local governments. The federal government typically pays for 50 percent of costs for Medi-Cal mental health services; it, however, pays more than 90 percent of costs for enrollees made eligible by the Affordable Care Act Medicaid expansion. In 2017-18, an estimated $4.2 billion in FFP supported county and non-county-based mental health services for Medi-Cal enrollees. We note that the Substance Abuse and Mental Health Services Administration provides additional federal grant funding to counties, through the state, for various mental health programs outside of Medi-Cal.

Local Realignment Revenues

Local Realignment Revenues Are the Largest Nonfederal Funding Source for Medi-Cal Mental Health. Through both 1991 and 2011 Realignment, the state dedicates a portion of sales tax and vehicle license fee revenue to counties to pay for their residents' behavioral health services, which include substance use disorder (SUD) services. This is the primary source of nonfederal funding Medi-Cal SMHS. In 2017-18, an estimated $2.7 billion in local realignment revenues supported county *behavioral* health services (Medi-Cal and non-Medi-Cal) for county residents.

1991 Local Realignment Revenues. 1991 Realignment shifted funding responsibility to counties for Medi-Cal community-based mental health services—as well as safety net mental health services and non-federally reimbursable institutions for mental disease. For all of these services, counties receive dedicated funding from a mental health subaccount that receives a portion of 1991 Realignment sales tax and vehicle license fee revenue. The distribution of 1991 Realignment revenues among counties is determined through a series of formulas, based primarily on how much counties spent on mental health responsibilities in the early 1990s. 1991 Realignment revenues for counties for mental health were near $1.3 billion in 2017-18.

Major Medi-Cal Mental Health Funding Sources

(Continued)

2011 Local Realignment Revenues for Behavioral Health Are Shared Between Medi-Cal Mental Health and SUD. 2011 Realignment transferred funding responsibility to counties for remaining Medi-Cal SMHS, including SMHS managed care and children's Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) services. The 2011 Realignment structure provides counties with a behavioral health subaccount—which receives an additional portion of a state sales tax—to fund these services. The behavioral health subaccount also funds county SUD services responsibilities (Medi-Cal and non-Medi-Cal) and there are no requirements for how counties allocate subaccount funds between the mental health and SUD services they provide. 2011 Local Realignment revenues for counties for behavioral health were over $1.4 billion in 2017-18.

Proposition 63 (2004) Mental Health Services Act (MHSA) Funding

Counties Use an Unknown Portion of MHSA Funding as a Local Match to Draw Down Federal Medicaid Dollars. MHSA funding (generated through a surtax on higher-income earners) is provided directly to counties for the purpose of facilitating access to additional intensive, preventive, and wraparound mental health services beyond those provided under Medi-Cal. The types of programs supported by MHSA funds are divided into five main categories: (1) Community Services and Supports, (2) Prevention and Early Intervention, (3) Capital and Technology, (4) Workforce Training, and (5) Innovation. While most MHSA funding is used for these services, counties apply an unknown portion of MHSA funds toward their local match for federal funds for Medi-Cal. Total MHSA funding to counties was about $2 billion in 2017-18.

Major Medi-Cal Mental Health Funding Sources

(Continued)

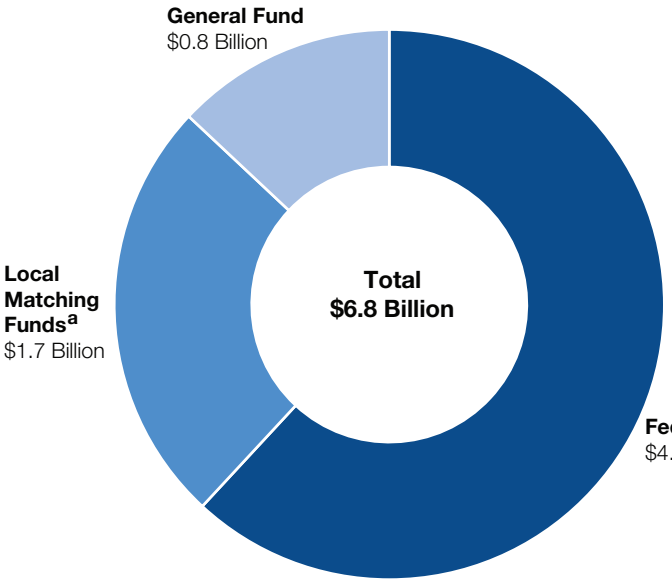
State General Fund

State General Fund Provides More Limited Support to Medi-Cal Mental Health Services. Because the state dedicates funding in the form of local realignment revenue to counties for SMHS—where the largest costs in Medi-Cal mental health lie—the state General Fund contribution to Medi-Cal mental health services, particularly county-based mental health services, is somewhat limited compared to other funding sources. In general, the amount of General Fund going to counties for mental health services goes toward new state, federal, and judicial mental health mandates that have been imposed since 2011 as required by Proposition 30 (2012). In 2017-18, an estimated $170 million in state General Fund supported SMHS for Medi-Cal enrollees. The state General Fund contribution to mental health services provided through managed care and state fee-for-service was around $600 million in 2017-18.

Overall Level of Funding for Medi-Cal Mental Health Services

- ***Funding for Medi-Cal Mental Health Services Composes a Significant Portion of All Public Community Mental Health Spending.*** As shown in the figure below, Medi-Cal mental health funding was approximately $6.8 billion in 2017-18. This amount constitutes more than two-thirds of the $9.8 billion in total funding for public community mental health services—which also include MHSA programs and safety net mental health services in addition to Medi-Cal. The figure on page 8 shows that the large majority—more than 70 percent—of Medi-Cal funding goes to county-administered MHPs.

2017-18 Medi-Cal Mental Health Services Spending by Fund Source



[a] Includes 1991 and 2011 Realignment revenues, Proposition 63 Mental Health Services Fund revenues, and County General Funds. The proportion of total local matching funds coming from each of the funding sources is unknown.

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Overall Level of Funding for Medi-Cal Mental Health Services

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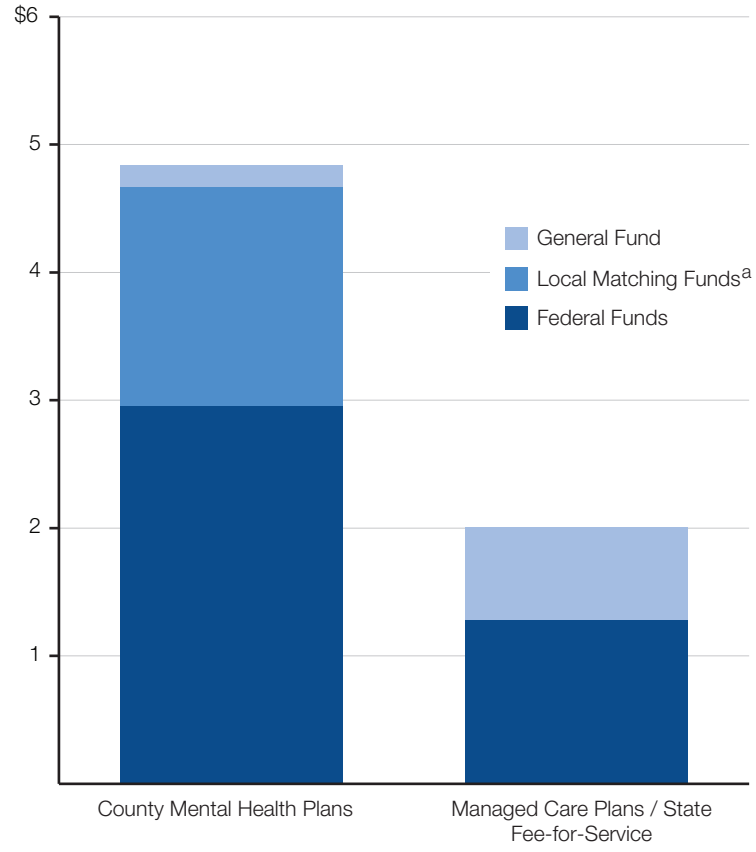
2017-18 Medi-Cal Mental Health Services Spending by Service Source

(In Billions)



[a] Includes 1991 and 2011 Realignment revenues, Proposition 63 Mental Health Services Fund revenues, and County General Funds. The proportion of total local matching funds coming from each of the funding sources is unknown.

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Overall Level of Funding for Medi-Cal Mental Health Services

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Funding for County-Based Medi-Cal Mental Health Services Has Grown Significantly Recently. County MHPs received less than $3.9 billion in total funding in 2016-17. In 2018-19, County MHPs' funding is estimated to reach about $5 billion as shown in the figure below. Overall funding for all county-based mental health services has grown significantly as well. Between 2012-13 and 2017-18, total funding for county mental health services has grown from $5.4 billion to $7.8 billion, an average annual growth rate of almost 8 percent. Funding growth in recent years has largely been attributed to covering increased costs associated with higher service utilization rates.